

Decatur County / P.P.M.E. Local 2003 (Roads)

2006-2007
CEO: 198
SECTOR: 1

IN THE MATTER OF INTEREST ARBITRATION BETWEEN

**Public Professional and
Maintenance Employees
Local 2003, I.U.P.A.T.
Employee Organization**

AND

**Decatur County, Iowa
Public Employer**

**INTEREST ARBITRATION
AWARD**

**Kim Hoogeveen, Ph.D.
Arbitrator**

Issued: April 25, 2007

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PUBLIC EMPLOYMENT
RELATIONS BOARD

APPEARANCES

For Decatur County:

Renee Von Bokern, Labor Relations Consultant

For PPME Local 2003:

Randall D. Schultz, Business Representative

BACKGROUND & JURISDICTION

Decatur County is located in south central Iowa. Largely rural and agricultural in nature, the county has a population of roughly 8,500 (exhibits varied). The collective bargaining unit is comprised of 21 or 22 (again - exhibits varied, but 22 is most likely the correct number) non-supervisory secondary road department employees.

The parties have a long history of collective bargaining (approximately 30 years), and have recently had impasse experience, i.e., a fact-finding hearing on the

issues of wages and insurance was held in early 2004 with the parties subsequently going to arbitration. Arbitrator Ronald Hoh made a final arbitration award on June 2, 2004 for the contract year starting July 1, 2004. The most recent collective bargaining agreement was for two years starting July 1, 2005.

The parties began this recent negotiation process with the Union presenting its initial proposal on November 18, 2006, with the first of two negotiation sessions being held on January 11, 2007. When an agreement was not reached, the parties agreed to bypass both mediation and fact-finding and to proceed directly to arbitration.¹ The Union presented its position for arbitration to the County on March 20, 2007 and the County responded in kind on April 2, 2007. The parties have a written agreement to extend the statutory deadline to May 15, 2007 to complete the bargaining process.

This matter proceeded to arbitration pursuant to the statutory impasse procedures established in the Public Employment Relations Act, Chapter 20, Code of Iowa. The undersigned was selected to serve as Arbitrator from a list furnished to the parties by the Iowa Public Employment Relations Board. There was no dispute regarding the jurisdiction of the Arbitrator.

The arbitration hearing convened at 1:00 p.m. on April 18, 2007 in the Decatur County Courthouse in Leon, Iowa and was electronically recorded. It was agreed by the parties that the Union would present their case first, with the Employer to follow, and opportunity for both parties subsequently to rebut. Both parties were provided a full opportunity to present exhibits, evidence, witnesses, and arguments in support of their respective positions. The record was closed and deemed under submission at the conclusion of the hearing at 4:00 p.m. on April 18, 2007.

¹ The parties have agreed to delete Article 16 (Stewards) of the current contract.

STATUTORY CRITERIA

Section 22.9 of the Iowa Public Employment Relations Act specifies criteria that are to be used by an Arbitrator in assessing the reasonableness of the parties' proposals:

The panel of arbitrators shall consider, in addition to any other relevant factors, the following factors:

- a. Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.*
- b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.*
- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.*
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.*

ITEMS AT IMPASSE

There are two items at impasse: Wages (Article 22) and Insurance (Article 23).

Wages:

Position of the Union: The Union is proposing a 4% across the board wage increase starting July 1, 2007.² The Union's proposal of 4% will result in an hourly wage increase of \$0.66.

² For the purpose of most exhibits and cost calculations, the parties stipulated to using the job classification of "Patrol Operators" as a proxy representing all of the job classifications in the collective bargaining unit.

Position of the County: The County is proposing an across the board wage increase of 3.25%, resulting in an hourly wage increase of \$0.53.

Insurance:

Position of the Union: The Union is proposing no change in the current insurance language.

Position of the County: The County is proposing to increase health insurance deductibles from the current single/family rate of \$300/\$600 to \$500/\$1,000. The County currently purchases a health insurance plan (ISAC #9) that has single/family deductibles of \$750/\$1500, and the County absorbs the deductible costs above the contractually stipulated \$300/\$600 level. If the County's proposed deductibles (\$500/\$1,000) were awarded, there would be an automatic reduction in the amount of county contribution necessary (i.e., reducing the county's obligation from the current \$450/\$900 to \$250/\$500) to pay the gap between the employee's obligation and the actual deductible of the purchased health insurance plan.

The specific new language proposed by the County is in Article 23, paragraph 3, as follows (changes in bold only for emphasis):

*The employee is responsible for paying a deductible of **\$500.00** for single coverage and **\$1,000** for family coverage. The County Co-Fund will pay additional medical deductible amounts of **\$250.00** for single coverage and **\$500.00** for family coverage and all co-insurance amounts above the total medical deductibles. (Prescription claims are not eligible for reimbursement from the Co-Fund.)*

DISCUSSION & ANALYSIS

The parties presented their positions in a professional and competent manner. This record is not intended to be an exhaustive review of all arguments presented, but rather a global summary of the essential thrust of the arguments put forth by the parties and the degree to which they were persuasive to the undersigned.

The Union acknowledges that the wage structure of the members of this collective bargaining unit is strong, and comparability data presented by both parties clearly shows such to be the case. The average wage rate of the comparison counties was \$15.33 compared to Decatur County's current wage rate of \$16.42 – a difference of \$1.09 (7.1%) or \$2,267/year. The Union points out, however, that the relatively high wage position of this unit, in comparison to wages earned by similarly positioned employees in surrounding counties, has been engendered via a long history of bargaining. The essence of the Union's position is that the members of this Union have long accepted fewer County dollars going into health insurance in return for a stronger wage rate. As the County acknowledged this point, it is not possible for an arbitrator to here consider the issue of wages independently of the issue of insurance – they are both financial impact items and the parties have mutually conceded that with respect to the factors of bargaining history, comparability, and ability to pay, the two issues must be considered in tandem. Although separate and distinct items at impasse, and each item will be awarded separately in compliance with the statutes and rules for arbitration, this section will discuss both wages and insurance.

Wages:

Excluding Decatur, the average wage in the comparison group of counties for this current contract year is \$15.33 with a range from \$13.82 to \$16.14. Decatur County tops the list at \$16.42. When looking at settlement trends, both parties

made errors in their exhibits. Union exhibit 5 lists the Clark County settlement at 4%; it should be 3% given it is a 2%/2% agreement with the second increase occurring six months into the agreement. As a result, the 3.4% settlement average shown in Union exhibit 5 is overstated. County exhibit 7 is also in error – Union County should not be included in the averages for current salaries as it has not settled and is not included in the settlement column. This error (note that removing Union County reduces the average current wage to \$15.26) results in the exhibit's conclusion, i.e., that the average increase without Decatur is 3.0%, to be understated. **The correct average settlement of the seven reporting members of the comparison group is 3.24%.**

The County made a persuasive case that they are in a challenging financial position, and the Union did not make an effective counterargument to the assertion. Total assessed valuation has actually dropped, and per capita income of the County's residents (2002 data) is lowest among all counties in the comparison group – and by significant margins ranging from 12% (Wayne) to 39% (Monroe)

When wages are considered in isolation, **I can find no justification in the current settlement trend for the Union's 4% request.** The County's position of a 3.25% wage increase is well within reason given the settlement trends, the comparatively high salary now being paid, and the County's difficult financial position. I suspect that even the Union would concede that if insurance was not on the table, there is little doubt that the County's position on wages would be the most reasonable award to make.

Insurance:

The crux of this case rests on the Union's assertion that they have significantly more costly (i.e., inferior) health insurance coverage than their counterparts in the surrounding counties. That is a premise we must examine more closely if an appropriate award is to be made.

Unlike the vast majority of counties of the comparison group, Decatur County currently makes no contribution toward the employee cost of dependent coverage, nor does Decatur County provide dental insurance. (Note: Although the Union provided an exhibit showing that seven of the eight counties in their comparison group provided dental insurance, they did not provide information regarding the cost or economic benefit of such coverage). Specifically, Decatur County employees have fully paid single health insurance coverage with single/dependant deductibles of \$300/\$600. An unusual aspect of the insurance plan is that the County pays for all co-insurance amounts. This means that the employees in this bargaining unit have no obligation for co-pays and that the deductible amount for these employees is synonymous with maximum out-of-pocket exposure.

When we take the average of the single/dependant deductibles of the seven counties in the comparability group where the parties agree on the figures, we find the average single/dependant deductibles to be \$392/\$786. In addition, the average of the maximum single/dependant out-of-pocket exposure is \$1,179/\$2,357. This is in contrast to Decatur County where the single/dependant deductible is currently \$300/\$600 and the maximum out-of-pocket exposure is an identical, and exceptionally low, \$300/\$600.

So where does the Union get the notion that it has poor insurance coverage? Well, other than noting that seven of the eight comparison counties provide single dental coverage, the main concern of the Union is the cost of dependent coverage for employees in this bargaining unit – and the Union is correct in this regard. To secure dependant coverage in Decatur County, a member of this bargaining unit currently has to pay \$521/month, the highest amount paid in any of the counties in the comparison group. The cost for dependent coverage in the eight counties used for comparison by the Union ranged from \$0 to \$438, and in only one other county does the employee pay the full amount of dependent

coverage.^{3 4} There is not an even distribution of what employees are charged for dependant coverage across the comparison group: four of the eight have employee contributions of \$164/month or less, while four others have employee contributions of more than \$416/month. The average of this highly dichotomous distribution is \$267/month. Again, this contrasts with the \$521 current cost for dependent coverage in Decatur County – and thus the perception that County expenditures for insurance coverage are lacking.

Those employees in this bargaining unit who only need or want single health coverage are the highest compensated workers in the comparison group, i.e., they have the (a) highest wages and (b) quite likely the most generous health plan offered by any county in the comparison group. If we look at this group alone, there is no question that raising the single deductible from \$300 to \$500 would be reasonable.

The Union notes that only 2 of the current 22 employees in the bargaining unit now elect dependent coverage, a significant reduction from 1999 when 9 of 19 employees then elected dependent coverage. The Union asserts that the high cost of dependent coverage is largely accountable for this reduction. A more careful analysis of the situation, however, suggests that there may be additional factors that could account for at least some of this change. Of the nine employees who elected dependant coverage in 1999, the Union's own exhibits show that 3 of them have switched from dependent to single health insurance coverage, 2 have retained dependent coverage, and 4 are no longer employed

³ This is Lucas County where the county also pays a relatively high base wage of \$16.08, but Lucas County wages still trail Decatur County by a significant \$0.34, and Lucas County also has employees responsible for co-pay amounts above their low \$250/\$500 deductible amounts.

⁴ As an aside, a strong intellectual argument can be made for the current structure of the Decatur insurance plan. The thrust of the argument is that no employee should receive greater total compensation than another because of his or her personal decision to have a family or to have a spouse who elects not to have independent coverage. In short, where dependent coverage is subsidized by an employer who has a fixed amount of dollars available for compensation, the employer is taking dollars away from one employee to give them to another for reasons unrelated to performance, seniority, or any other work related factor.

within the bargaining unit. Although the increasing cost of the dependent coverage may well have been a factor in the decision of some to drop dependent coverage, or to not elect such coverage when starting (all 6 of the hires since January 2000 have elected single coverage), multiple causative factors could exist such as a change in family status or spouses accepting employment that offered coverage. Whatever the cause, it is correct to state that only 9% of the current unit members currently elect dependent coverage, and that only three individuals switched from dependent to single coverage in the seven years between 1999 and 2006.

Union exhibits 11 and 12 purport to show the financial impact of the insurance costs, **but each is based on an employee who elects dependent coverage. The picture would be totally different if we prepared the same charts for the 91% of the current employees who elect single coverage.** It should also be noted that Union exhibit 11 gives no credit to the County for the unusual aspect of making all co-pays for the employees, something that is rare and not done for employees in the comparison counties.

Lets take a few examples to see how this situation impacts an individual employee.

If a single employee incurs a \$5,000 medical bill, in Decatur County that employee will have a total personal cost of \$300. Using the averages of the other counties, that same employee would have a deductible cost of \$392 plus 20% of the remainder ($\$4,608 \times 20\% = \922) for a total cost of \$1,314. The employee's cost would be limited by the average out-of-pocket maximum of \$1,179 resulting in an average employee in the comparison counties having to pay \$879 more than a similar employee in Decatur County.

If we consider an employee who elects dependent coverage, the picture changes dramatically. Consider a situation where a family has a \$10,000 medical

expense. Using averages of the comparison counties, the employee would have paid total dependant premiums of \$3,204 ($\267×12). Using the averages of the other counties, an employee would have a deductible cost of \$786 plus 20% of the remainder ($\$9,214 \times 20\% = \1843) for a total of \$2,629. The employee's cost would be limited by the average out-of-pocket maximum of \$2,357 resulting in an average employee in the comparison counties having to pay a total of \$5,561 ($\$2,357 + \$3,204$). An employee in Decatur County would have paid premiums of \$6,252 plus a deductible of \$600 for a total of \$6,852 – that is \$1,291 more the average employee in the comparison group. This comparison becomes even more ugly for employees of Decatur County who elect dependent coverage when we use examples assuming lower medical costs, e.g., in the most dramatic and unlikely scenario, if a family had no significant medical expenses for the year, the average total premium costs for the comparison group is \$3,204 vs. the \$6,252 cost to Decatur employees – a difference of \$3,048.

In summary, the Union is obviously correct that the cost of dependent coverage is high for their members who elect to take that option. Yet total health costs are very low for employees who elect single coverage, i.e., not only are deductible levels relatively low, but also employees have zero co-pay expenses. The Union bases its case on the somewhat flimsy foundation of only two employees who now elect dependent coverage and a claim that more would elect such coverage if the employer made a substantial contribution toward dependant coverage.

The Larger Picture:

Neither party conducted the analysis I believe to be the most illuminating as to the relative strength of the current total compensation level in Decatur County. The question to be asked is whether Decatur County is paying a competitive compensation package to this bargaining unit. To determine that answer, an assumption must be made regarding insurance elections, and the following is reasonable: let us assume that the County had a dependent coverage election rate of 45% – a typical rate often seen. We can then compare what Decatur

County would expend for wages and insurance under this scenario with what would be expended by a county who used the average wage and insurance figures from the comparison group.

With 22 employees earning \$2,267/employee above the average of the comparison group, Decatur County is spending an additional \$56,000 (includes an estimate for FICA and pension costs) above the norm for the comparison group. In addition, the County paid out over \$6,000 from the Co-Fund for the members of this unit that would not be an expense for other counties in the comparison group, making the total above average expenditure for these two variables roughly **\$62,000**.

On the other side of the ledger, if 10 members of the bargaining unit had elected dependent coverage, and the County was making the average contribution of the comparison group (\$267/mo) toward this coverage, the County would incur an additional expense of \$36,000 (includes estimate of \$4,000 to pay for the additional exposure given the higher deductible and co-pay amounts associated with dependent coverage). Additionally, if Decatur County offered single dental insurance it might cost the County an additional \$7,000/year. The total estimated expenditure that would be required for these two hypothetical new benefits is **\$43,000**.

This preceding analysis is powerful; it shows that Decatur County is presently paying a substantial premium over the norm for the employees in this bargaining unit in comparison to similar employees in nearby counties. In fact, the only way one can conclude that Decatur County is not paying a premium to this unit is to make the assumption that 17 or more of 22 employees in a typical county would elect dependent coverage – an absurd assumption – and even then we have ignored the \$12/month employee contribution that the

Union had agreed to make but was subsequently eliminated, resulting in a \$3,168 savings for the employees and additional cost to the County.⁵

The County wants to get out of the insurance (i.e., risk) business. This is an understandable goal, but the parties have had difficulty engendering open and constructive discussions as to how this might be achieved. The County argues that it is important that individuals have greater incentive to monitor their health costs if such are going to be better controlled in the future. Although true, increasing the deductible cost of this small group is hardly going to impact the broad cost of healthcare. Even specific to this group, if the County is particularly interested in having employees become better consumers, instituting a reasonable co-payment would do more toward achieving that goal. Although I understand that the Union has been resistive to such discussions, such a proposal from the County would have been more persuasive than raising the deductibles.

Union members must recognize that low deductible health plans are going the way of the dinosaur. Insurance needs to be in place to protect against moderate and catastrophic loss, not to take care of every sneeze and sniffle. It is my suspicion that some of the members of this Union do not understand how unique their current health insurance coverage actually is: a total out-of-pocket maximum for a calendar year limited to \$300/\$600 is highly unusual. And while the Union correctly notes that some benefits have changed over the years (e.g., drug coverage), this is hardly unique to this County. Similar changes have likely taken place for most, if not all, of the counties in the comparison group. In fact,

⁵ The County accepted a 2004 fact-finder recommendation, which was subsequently upheld by the arbitrator, to have employees start contributing \$12.00 per month to help fund the Co-fund used by the County to pay (a) the "gap" between the contractually stipulated deductible and the actual deductible in the health plan, and (b) the required co-pay amounts. The County explained that, although contractually stipulated, the County subsequently took unilateral action to discontinue the practice due to legal advice – a \$144/year savings for employees. Although the language remains in the contract, County exhibit 2 states that the language requiring such employee contribution to the Co-Fund (paragraph 4 of Article 23) is "null and void."

the only areas in which one can find the present health coverage in Decatur County to be in any way inferior to the comparison group are in its lack of contribution toward dependent health coverage and no dental benefits.⁶

CONCLUSIONS

I am well aware of the often seen practice of arbitrators giving one issue to each party – particularly when both are financial in nature. Unfortunately for the Union, in this case I can see no justification to award either the Union's position on wages or insurance. The 3.25% wage increase offered by the County keeps pace with the settlement trend, and keeps the members of this bargaining unit very well compensated in comparison to their peers in the surrounding counties with respect to wages.

Union members appear to be convinced that they have relatively high wages because of the sacrifices they have made in health insurance vis-à-vis similar workers in the comparison group, yet some Union members may fail to recognize the relative strength of the current health insurance plan. While I acknowledge it is not a strong plan for those electing dependent coverage, it is an extremely generous plan for those electing single coverage. Such employees have a relatively low deductible (\$300) and are completely insulated from any additional exposure via normal co-pays. Again, this is a significant point given more than 90% of the employees in this bargaining unit elect single coverage.

The County makes a persuasive argument that they are in difficult financial straits, a claim not effectively countered or even denied by the Union. Despite this situation, the above analysis shows clearly that Decatur is paying a hefty amount in comparison to surrounding counties to secure the labor of this unit.

⁶ Had the Union proposed the addition of dental benefits, it is likely that it would have been granted in this ruling. Such a proposal, however, was not before this arbitrator, and I have no authority to impose it on the parties.

Given the relatively weak financial condition of Decatur County, **I can find no reason via comparability, bargaining history, or ability to pay to widen this unit's already substantial lead in total compensation.**

Another way to explain this analysis is to ask each party if they would be willing to accept the averages from the comparison group with respect to wages and insurance. If adopted in Decatur County, the result would be that wages would drop sharply, insurance deductibles would go up slightly, the County would no longer be obligated to make co-payments, the County would contribute about 50% toward the cost of those who elected dependent coverage, and the County would have to provide single dental coverage. **The County would take that deal in a heartbeat; the Union would not** – and therein lies the tale of the tape. It is clear that this financially distressed County is now paying at the high end of the comparability scale. There is simply no justification to continue, or even widen, this trend by the award of an above average wage increase or failing to require employees to pay a portion of the increasing health insurance costs via a relatively modest increase in their deductible limits.

I have considered bargaining history in this situation, including the fact that the Union has not demonstrated a willingness to openly and collaboratively examine options for modifying the insurance plan. Obstinance is seldom a persuasive negotiation strategy, and the Union should understand that this arbitrator might have been open to awarding more significant changes in the health plan had they been proposed by the County. I likewise caution the County to not take too much encouragement from this ruling, as they have an obligation to recognize the importance of health benefits to employees and the propensity for anxiety when old, tried-and-true ways need to be re-evaluated. I encourage the parties to undertake a joint examination of the current health plan and to openly explore all available options that might improve the situation for either party without creating a significant hardship for the other.

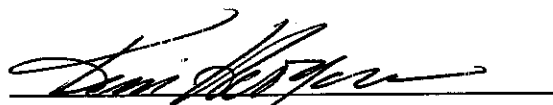
AWARD

Wages

The County's final offer on wages is the "most reasonable," and is hereby awarded.

Insurance

The County's final offer on insurance is the "most reasonable," and is hereby awarded.

A handwritten signature in black ink, appearing to read "Kim Hooegeveen", is written over a horizontal line.

Kim Hooegeveen, Ph.D.
Arbitrator

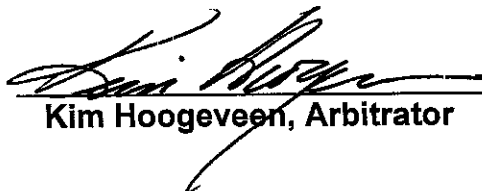
CERTIFICATE OF SERVICE

I certify that on the 25th day of April, 2007, I served the forgoing Award of Arbitrator upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Renee Von Bokern
2771 104th Street, Suite H
Urbandale, IA 50322

Randall D. Schultz
P.O. Box 54
Sigourney, IA 52591-1057

I further certify that on 25th day of April 2007, I will submit this Award for filing by mailing it to the Iowa Public Employment Relations Board, 510 East 12th Street, Suite 1B, Des Moines, Iowa 50319-0203.


Kim Hoogeveen, Arbitrator